



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 06-0273134

THE APPLICATION OF VALENCE OPERATING TO CONSOLIDATE THE YANTIS (HEARD, UP.) FIELD INTO THE YANTIS (HEARD ZONE) FIELD AND AMEND FIELD RULES FOR THE YANTIS (HEARD ZONE) FIELD, WOOD COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E., Technical Examiner
Michael Crnich, Legal Examiner

Hearing Date: November 29, 2011

Appearances:

Rick Johnston

Representing:

Valence Operating

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Valence Operating requests that the Yantis (Heard, Up.) Field be consolidated into the Yantis (Heard Zone) Field. Valence requests that the following rules be adopted for the consolidated field:

1. Designation of the field as the correlative interval from 7,968 feet to 8,102 feet as shown on the log of the David Schlachter's Mary Lou Foster No. 1;
2. 330'-660' well spacing;
3. 40 acre units for oil and gas wells (No change);
4. Allocation based on 100% acreage (No change).

This application was unopposed and the examiners recommend approval of Valence's request for field consolidation and field rules.

DISCUSSION OF THE EVIDENCE

The Yantis (Heard, Up.) Field is a non-associated field that was discovered in 1982 at a depth of 7,983 feet subsurface depth. The field is governed by Statewide field rules. Valence Operating and Leenerts Oil and Gas, Inc. are the only operators in the field. There are two inactive wells in the field. Cumulative production from the field is 683.1 MMCF and 25.9 MBC.

The Yantis (Heard Zone) Field is an associated field that was discovered in 1952 at a depth of 8,060 feet subsurface depth. The field is governed by Statewide field rules. The Yantis (Heard Zone) Field has three oil wells and no gas wells listed on the proration schedule. Cumulative production from the field is 1,242.1 MMCF and 77.5 MBO.

Valence will drill additional wells within the depleted reservoirs targeting the various zones within the consolidated interval. Consolidation of the fields will not harm any of the reservoirs because of the similar reservoir and fluid properties. Consolidation of the fields will result in the recovery of additional reserves from the various fields as a result of a lower combined economic limit.

The Yantis (Heard Zone) Field is nearly depleted, marginally productive formation that may contain remaining oil and gas resources. The Heard Zone is not a primary target for drilling and completing a new well. The Heard Zone is considered a secondary "behind pipe" reserves as economics do not justify drilling a new well. Other productive formations found in the area include the Smackover, the Hill Zone and the Rodessa. Valence will recomplete and/or reenter existing wells it operates into the Heard Zone. Valence requests 330'-660' well spacing for the Yantis (Heard Zone) Field, similar to other Yantis fields, so that it can recomplete and/or reenter and commingle existing wells into the Heard Zone without the need for Rule 37 exceptions to recover any existing oil and gas reserves.

Valence requests that the consolidated field be designated as the interval from 7,968 feet to 8,102 feet as shown on the log of the David Schlachter's Mary Lou Foster No. 1. Consolidation of the various zones into a single field will result in the recovery of additional reserves which would otherwise be uneconomic.

Valence requests no change in field density as remaining reserves are limited as the Heard Zone is partially depleted. Valence requests gas well production remain AOF status.

FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The Yantis (Heard, Up.) Field is a non-associated field that was discovered

in 1982 at a depth of 7,983 feet subsurface depth.

- a. The field is governed by Statewide Rules.
 - b. Valence Operating and Leenerts Oil and Gas, Inc. are the only operators in the field. There are two inactive wells.
 - c. Cumulative production from the field is 683.1 MMCF and 25.9 MBC.
3. The Yantis (Heard Zone) Field is an associated field that was discovered in 1952 at a depth of 8,060 feet subsurface depth.
 - a. The field is governed by Statewide Rules.
 - b. There are three oil wells and no gas wells in the field.
 - c. Cumulative production from the field is 1,242.1 MMCF and 77.5 MBO.
 4. Consolidation of the fields will not harm any of the reservoirs because of the similar reservoir and fluid properties.
 5. Consolidation of the fields will result in the recovery of additional reserves from the various fields as a result of a lower combined economic limit.
 6. The Yantis (Heard Zone) Field is a depleted, marginally productive formation that is currently not the primary target for new drilling but may contain remaining oil and gas resources.
 7. The consolidated interval from 7,968 feet to 8,102 feet as shown on the log of the David Schlachter's Mary Lou Foster No. 1 should be designated as the Yantis (Heard Zone) Field. This interval includes the entire Heard Zone formation.
 8. Development of the field on 40 acre units is appropriate as remaining reserves are limited and the Heard Zone is partially depleted.
 9. The proposed 330'-660' well spacing is similar to other Yantis fields in the area and will allow flexibility in recompleting and/or reentering existing wells and commingle with the Heard Zone to recover any remaining oil and gas reserves.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.

2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Consolidation of the fields as proposed by Valence Operating is necessary to prevent waste and protect correlative rights.
4. The proposed field rules will prevent waste, protect correlative rights, and satisfy statutory requirements.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiners recommend that the Yantis (Heard, Up.) Field be consolidated into the Yantis (Heard Zone) Field and that the requested field rules be adopted for the consolidated field.



Andres J. Trevino, P.E.
Technical Examiner

Respectfully submitted,



Michael Crnich
Legal Examiner